



STATE AUDITOR'S OFFICE

THE COMMONWEALTH
OF MASSACHUSETTS



NO. 83-12-1269

STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
BOARD OF REGENTS OF HIGHER EDUCATION
MARCH 1, 1981 TO JUNE 30, 1982

JOHN J. FINNEGAN,
AUDITOR

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BOSTON, MASSACHUSETTS
02108



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STATE AUDITOR'S OFFICE

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AUDITOR'S REPORT

THE COMMONWEALTH
OF MASSACHUSETTS

Mr. James R. Martin, Chairman
The Board of Regents of Higher
Education
Room 610, J.W. McCormack State
Office Building
One Ashburton Place
Boston, MA 02108

We have examined the Board of Regents of Higher Education's statements of appropriations and expenditures and statements of federal grants and trust funds for the two fiscal years ending June 30, 1982, as listed in the Table of Contents. We made our examination in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

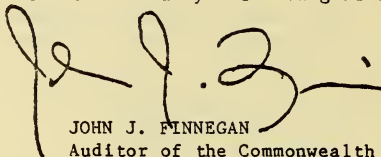
JOHN J. FINNEGAN,
AUDITOR

The Board of Regents of Higher Education is required to maintain its financial records on a modified accrual basis, as prescribed by the Commonwealth of Massachusetts. (See Note to Financial Statements, page 15.) This basis differs in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present the board's financial position and the results of its operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present fairly the Board of Regents of Higher Education's

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02133
617-727-2075

expenditures under maintenance appropriation and the financial activity of its trust funds and federal grants for the two fiscal years ending June 30, 1982.

A handwritten signature in black ink, appearing to read 'J. J. Finnegan', with a long horizontal stroke extending to the right.

April 22, 1983

JOHN J. FINNEGAN
Auditor of the Commonwealth

SUMMARY OF FINDING

Our audit revealed that, in general, the Board of Regents of Higher Education adequately accounted for and controlled its appropriations, trusts, and grants for the period from March 1, 1981 to June 30, 1982. For example, the board, through its contract with the Massachusetts Higher Education Assistance Corporation (MHEAC), appropriately administered the state's scholarship programs, which total approximately \$15 million annually. The board and MHEAC correctly processed approximately 100,000 requests for scholarships and awarded 37,000 scholarships.

We uncovered a problem, however, with the board's handling of Trust funds that we believe the board should correct. The board received over \$1 million, either directly or indirectly, in Continuing Education Program funds. It did not notify the Comptroller, contrary to requirement, when it used this money to establish a trust fund at the First National Bank of Boston. We recommend that the board discontinue establishing trust funds without notifying the Comptroller.

EXPLANATION OF FINDING

Noncompliance with Comptroller's Requirement for Trust
Fund Establishment

Contrary to the Comptroller's requirement, the Board of Regents of Higher Education did not notify the Comptroller when it used money it received from Continuing Education Programs (CEPs) to establish a trust fund at the First National Bank of Boston.

On May 14, 1981, the board voted to establish a fund titled "All-Purpose Trust Fund," and defined the fund's purpose as:

. . . including but not limited to the execution of any employment, purchase, sales, management, consulting, agency, lease agreement or other legal instrument.

To provide money the board assessed CEP's 1/3 of 1% of the revenue that the CEP's received.

On June 16, 1981, the board deposited the first payment from its assessments of public institutions of higher education's CEP's into the First National Bank of Boston (Bank of Boston) bank account that it had established for the fund. The board continued to receive these assessments and deposit them in its Bank of Boston account from June 1981 to July 1982.

During the period from June 1982 to November 30, 1982, the board expended \$863,000 from this account for various administrative purposes.

Section 27 of the Comptroller's Division Accounting Manual requires the board to establish trust funds through the Comptroller's system. This system requires state agencies to: (1) officially notify the state Budget Bureau and the Comptroller's Office of the fund's establishment, (2) deposit revenue received from the fund with the Treasurer and (3) submit expenses paid from the fund for processing by the Comptroller.

On December 7, 1981, six months after the board voted to establish this fund the Chancellor requested that the Comptroller establish the fund as the "Regents All-Purpose Trust Fund," thereby complying with the proper procedure for establishing a fund. The Chancellor's request cited Chapter 15A, Section 5L, of the General Laws as the legal basis for the request. However, the General Counsel of the Comptroller's Division had questions concerning this request and as a result on January 26, 1981, the Chancellor, through his legal counsel, modified his request by citing Chapter 351, Section 2, Item 7066-0000, of the Acts of 1981, which applies to CEP funds. On January 29, 1981, the Comptroller approved the Chancellor's request to establish the fund and title it "Program of Continuing Education - Administration Fund."

Before, during, and after the processing of these requests and approvals, the board continued to use the non-complying bank account at the First National Bank of Boston that it had established. The state budget for fiscal year 1983 which began on July 1st, 1982 prohibited additional assessments of CEP funds by the board. Consequently, the board ceased this assessment in fiscal year 1983 thus eliminating the source of funds for its Bank of Boston bank account.

However, on May 11, 1982, the board voted to transfer the balance remaining in the "Commonwealth Career Trust Fund" (an account originally established through CEP fund assessments) to the "Regents Continuing Education Administrative Trust Fund." (The fund is referred to incorrectly in the minutes of the board's meeting. The proper title for this fund, as approved by the Comptroller on January 29, 1981, is "Program of Continuing Education - Administration Fund.") The board, however, did not transfer these funds to the treasurer's account; instead, it transferred the funds to its Bank of Boston bank account

and it continued to expend these funds through November 30, 1982 without notifying the Comptroller.

In prior audit work at other state agencies, we found that where similar situations existed, records were lost, leaving no explanation why or to whom payments were made.

Therefore, it is possible that if the Board does not process its funds through the Comptroller's and Treasurer's Office records will be lost.

Recommendation: The board should transfer its Bank of Boston bank account balance to its "Continuing Education - Administration Fund" that the Comptroller's Division established. Furthermore, the board should conform to Section 27 of the Comptroller's Division Accounting Manual when it establishes trust funds by requesting and receiving appropriate accounts as needed.

Auditee's Response: The Board of Regents stated they are taking action on our recommendation to transfer their Bank of Boston bank account balance to their "Continuing Education - Administration Fund." Furthermore, the board stated that all future trust funds will conform to Section 27 of the Comptroller's Division Accounting Manual.

FINANCIAL STATEMENTS

Statement No. IStatement of Appropriations and Expenditures

Fiscal Year Ending June 30, 1981

| <u>Account Number</u> | <u>Appropriations</u> | <u>Disbursed</u> | <u>Reverted</u> |
|---|-----------------------|--------------------|------------------|
| Office of the Secretary of Educational Affairs: | | | |
| 7000-0001 Board of Regents of Higher Education | \$ 660,339 | \$ 557,770 | \$102,569 |
| 7000-0009 Veterans' Affairs | 30,000 | 24,946 | 5,054 |
| 7000-0100 Educational Affairs - Admin- istration | 3,833 | 3,833 | - |
| Board of Higher Education: | | | |
| 7070-0001 Board of Higher Education - Administration | 396,226 | 396,226 | - |
| 7070-0003 Reserve for Use by State Uni- versities, Colleges, Com- munity Colleges to Solicit Donations | 17 | - | 17(R)* |
| Division of State Colleges: | | | |
| 7101-0001 Division of State Colleges - Administration | 480,000 | 480,000 | - |
| 7105-0001 Data Processing Program | 1,700,000 | 1,695,276 | 4,724 |
| Massachusetts Board of Regional Com- munity Colleges: | | | |
| 7501-1001 Regional Community Colleges - Administration | 485,803 | 485,803 | - |
| | <u>\$3,756,218</u> | <u>\$3,643,854</u> | <u>\$112,364</u> |

* Reserved

The accompanying note is an integral
part of these financial statements.

Statement No. IIStatement of Appropriations and Expenditures

Fiscal Year Ending June 30, 1982

| <u>Account Number</u> | <u>Appropriations</u> | <u>Disbursed</u> | <u>Reverted</u> |
|---|-----------------------|---------------------|------------------|
| 7066-0000 Board of Regents | \$ 1,022,280 | \$ 981,683 | \$ 40,597 |
| 7066-0001 Intern Program Adminis- tration | 41,070 | 39,317 | 1,753 |
| 7066-0002 Intern Program Stipends and Payments | 75,000 | 73,787 | 1,213 |
| 7070-0003 Reserve for Use by State Universities, Colleges, Community Colleges to Solicit Donations | 100,000 | 98,381 | 1,619 |
| 7070-0006 General Scholarships | 15,000,000 | 14,906,065 | 93,935 |
| 7070-0060 Matching Scholarships Pro- gram - 1 | 4,000,000 | 4,000,000 | - |
| 7105-0001 Data Processing Program | 1,787,400 | 1,779,934 | 7,466 |
| | <u>\$22,025,750</u> | <u>\$21,879,167</u> | <u>\$146,583</u> |

The accompanying note is an integral
part of these financial statements.

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Statement No. IIIFederal Grants

Fiscal Years Ending June 30, 1981 and 1982

| Account Number | Federal Grant | Fiscal Years Ending June 30, 1981 and 1982 | | | | Balance June 30, 1982 |
|----------------|--|--|-----------|---------------|-------------|--------------------------|
| | | Balance July 1, 1980 | Receipts | Disbursements | Receipts | Balance June 30, 1982 |
| 7000-0109 | Educational Affairs - Data Collection System Allocation of 1602-9000 | \$ 396 | - | - | - | \$ 396 |
| 7000-0138 | Local School Finance - Administrative Costs | 334 | - | - | - | 334 |
| 7000-0143 | Planning Grants Higher Education | 5,000 | - | - | - | 5,000 |
| 7070-0002 | HEW Mobility Assignment | 3,924 | \$ 7,597 | \$ 9,065 | - | 2,456 |
| 7070-0015 | Community Services and Continuing Education Program | 56 | - | - | - | 56 |
| 7070-0017 | State Student Incentive Grant Program | - | 2,629,009 | 2,629,009 | \$2,508,575 | - |
| 7070-9716 | State Student Financial Assistance Training Program | 15,471 | 26,464 | 27,668 | - | 14,267 |
| 7070-9720 | Massachusetts Post-Secondary Education Commission | 1 | - | - | - | 1 |
| 7070-9721 | Costs of the Commission Allocation of 7070-9720 | 39,434 | 68,157 | 50,549 | - | 57,042 |
| 7070-9722 | Administrative Expenses Allocation of 7070-9720 | 7,572 | - | - | - | 7,572 |
| 7070-9726 | Education Information Center - Administration | 35,223 | 39,625 | 57,046 | 12,500 | 24,767 |
| 7070-9727 | Title I of Post-Secondary Planning Commission | 151,555 | 105,270 | 233,988 | 11,413 | 30,960 |
| 7070-9728 | Informative Center Program | 506 | 7,587 | 8,078 | - | 15 |

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7070-9729 Study of American Facility
as Resource Available for
Meeting Emergency Issues
in Higher Education

| | | | | | | |
|------------------|--------------------|--------------------|------------------|--------------------|--------------------|-----------------|
| 4,000 | 27,773 | 19,495 | 12,278 | - | 1,059 | 11,219 |
| <u>\$263,472</u> | <u>\$2,911,482</u> | <u>\$3,034,898</u> | <u>\$140,056</u> | <u>\$2,532,488</u> | <u>\$2,594,050</u> | <u>\$78,494</u> |

The accompanying note is an integral
part of these financial statements.

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Statement No. IV

Trust Funds

Fiscal Years Ending June 30, 1981 and 1982

| Account Number | Trust Funds | 1979 | | | 1981 | | | 1982 | | |
|----------------|--|-----------------|----------|---------------|------------------|-----------|---------------|------------------|-----------|---------------|
| | | Balance July 1, | Receipts | Disbursements | Balance June 30, | Receipts | Disbursements | Balance June 30, | Receipts | Disbursements |
| 7000-0106 | Strengthen State Department of Education | \$ 7 | - | - | \$ 7 | - | - | \$ 7 | - | - |
| 7000-0108 | Training Program for the Elderly | 4,494 | - | - | 4,494 | - | - | 4,494 | - | - |
| 7066-6001 | Exxon Education Foundation Grant | - | - | - | - | \$ 75,000 | \$ 27,804 | 47,196 | \$ 75,000 | \$ 27,804 |
| 7066-6002 | Program of Continuing Education - Administration | - | - | - | - | 151,983 | 123,918 | 28,065 | 151,983 | 123,918 |
| 7066-6003 | Regent's Extraordinary Expense Trust Fund | - | - | - | - | 10,000 | 3,603 | 6,397 | 10,000 | 3,603 |
| 7070-6608 | Todd Teacher's College Fund - Purchase of Investments and Payments | 19,138 | \$ 5,837 | \$ 2,388 | 22,587 | 4,436 | - | 27,023 | 4,436 | - |
| 7070-6622 | Gustavus A. Hinckley Free Scholarship Fund | 5,000 | - | - | 5,000 | - | - | 5,000 | - | - |
| 7070-6628 | Todd Teacher's College Fund - Purchase of Investments | 12,100 | - | - | 12,100 | - | - | 12,100 | - | - |
| 7101-6100 | State College System - Computer Project | 22,730 | - | 7,859 | 14,871 | - | - | 14,871 | - | - |
| 7107-6501 | Commonwealth Career Center | - | 322,316 | 305,316 | 17,000 | 135,000 | 151,005 | 995 | 135,000 | 151,005 |
| 7501-6600 | Fund for Advancement of Education Project | - | - | - | - | 22 | - | 22 | - | - |
| 7501-6601 | Vocational Education Program - Payments | 32,297 | 1,773 | 3,581 | 30,489 | - | 17,875 | 12,614 | - | 17,875 |
| 7501-6605 | Vocational Education Program - 73 | 11,489 | - | - | 11,489 | - | - | 11,489 | - | - |

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7501-6606 Vocational Education Program - 75
 7501-6611 Joint Educational Program
 for Mental Health Aides

| | | | | | | |
|------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| 19,860 | 79,286 | 79,199 | 19,947 | - | 16,199 | 3,748 |
| 111,736 | 18,078 | 1,770 | 128,044 | 1,882 | 120,598 | 9,328 |
| <u>\$238,851</u> | <u>\$427,290</u> | <u>\$400,113</u> | <u>\$266,028*</u> | <u>\$378,323</u> | <u>\$461,002</u> | <u>\$183,349*</u> |

* Accountability of Balances

June 30, 1981

June 30, 1982

In Custody of State Treasurer:

Cash
 Investments

| |
|------------------|
| \$227,928 |
| <u>38,100</u> |
| <u>\$266,028</u> |

| |
|------------------|
| \$140,949 |
| <u>42,400</u> |
| <u>\$183,349</u> |

The accompanying note is an integral
 part of these financial statements.

NOTE TO FINANCIAL STATEMENTS

Basis of Accounting

The Commonwealth's accounting system, as prescribed by the Comptroller, is maintained on a modified accrual basis. Revenues are recorded when received in cash, and expenditures are generally recorded when paid. Physical properties, such as furniture and equipment, are expensed when acquired and are not recognized as assets, while land and buildings are capitalized at their assessed valuations. Provisions are made for unpaid obligations and outstanding purchase orders within the limits of the appropriation in effect.

ORGANIZATION

The Board of Regents of Higher Education was established by Chapter 329 of the Acts of 1980 to ". . . develop, foster, and advocate a comprehensive system of public higher education of high quality, flexibility, responsiveness, and accountability."

The Board of Regents of Higher Education replaced several boards that had previously coordinated the institutions within the state's higher education system. These boards were the Board of Higher Education, the Board of Trustees of State Colleges, the Board of Trustees of Regional Community Colleges, the Board of Trustees of the University of Lowell, the Board of Trustees of the University of Massachusetts, and the Board of Trustees of Southeastern Massachusetts University. The board also replaced the Executive Office of Educational Affairs.

The board consists of 15 members whom the Governor appoints to five-year terms. No member may serve consecutive terms. The Governor appoints the chairperson from among the members. As of November 30, 1982, the board was organized as follows:

Board of Regents of Higher Education

| <u>Regent</u> | <u>Appointment Date</u> | <u>Expiration Date</u> |
|---------------------------|-------------------------|------------------------|
| James R. Martin, Chairman | August 1, 1980 | August 1, 1985 |
| David J. Beaubien | August 1, 1980 | August 1, 1983 |
| Nicholas Boraski* | November 1, 1982 | August 1, 1987 |
| Robert Cushman | August 1, 1980 | August 1, 1985 |
| Gerard F. Doherty* | November 1, 1982 | August 1, 1987 |
| Janet Eisner, S.N.D. | August 1, 1980 | August 1, 1986 |
| J. John Fox | September 14, 1981 | August 1, 1984 |

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| <u>Regent</u> | <u>Appointment Date</u> | <u>Expiration Date</u> |
|----------------------------|-------------------------|------------------------|
| Foster Furcolo | August 1, 1980 | August 1, 1985 |
| James M. Howell* | November 1, 1982 | August 1, 1986 |
| Francis J. Nicholson, S.J. | August 1, 1980 | August 1, 1984 |
| David S. Paresky | August 1, 1980 | August 1, 1986 |
| Ray Stata | August 1, 1980 | August 1, 1983 |
| Edward T. Sullivan* | November 1, 1982 | August 1, 1987 |
| An Wang | August 1, 1980 | August 1, 1984 |
| Norman Zalkind | August 1, 1980 | August 1, 1983 |

* To be confirmed as of November 30, 1982.

The board performs the following functions:

1. Confers academic degrees through state colleges and universities;
2. Prepares a five-year master plan for public higher education including enrollment projections; recommendations for using, closing, and acquiring educational facilities; and recommendations for revising or terminating academic programs;
3. Approves admission and program standards for state institutions;
4. Develops tuition plans for all state institutions and sets enrollment levels;
5. Administers the state scholarship program;
6. Prepares annual budget requests for the state's higher education system and submits these requests to the state's budget director;
7. Allocates budgeted funds to the state's colleges and universities; and
8. Performs other administrative functions pertaining to the state's higher education system.

The Chancellor of the higher education system is the chief executive officer of the Board of Regents. He or she is appointed by the board and oversees the day-to-day operations of the board's office and staff. Chapter 15A, Section 4, of the General Laws establishes the Chancellor's salary, currently \$65,000 annually.

APPENDIX

Board of Regents
Activity Summary - All-Purpose Trust

June 1, 1981 to November 30, 1982

Balance June 1, 1981

-

Add:

| | | |
|--|-----------------|-----------------------|
| 1. Continuing Education Assessments | \$259,724.20 | |
| 2. Inter-fund Transfer - Commonwealth Career Center | 762,433.37 | |
| 3. Interest from Sale of Bond | 10,625.00 | |
| 4. Reimbursement of Legal Expenses Received from UMASS, Boston | 55,176.30 | |
| 5. Return of Advances - Employees' Travel | <u>3,634.89</u> | |
| Total Receipts | | <u>\$1,091,593.76</u> |

Less:

| | |
|---|-----------------|
| (a)(d)1. Contract - Peter Mitchell | \$ 8,705.73 |
| (a) 2. Staff Travel | 16,454.53 |
| (a) 3. Reimbursement of Petty Cash | 3,600.00 |
| (a) 4. Chancellor's Housing Allowance | 14,000.00 |
| (a) 5. Postage | 400.00 |
| (a) 6. Telephone | 364.76 |
| 7. Purchase of Bond | 400,000.00 |
| (c) 8. Inter-fund Transfer - Continuing Education Program | 311,000.00 |
| (c) 9. Westfield State College - Reimbursement of Contribution | 23,000.00 |
| (a) 10. Mass. Bay Community College - Purchase of Apple Computer - Computer Science | 20,000.00 |
| (b) 11. Legal Expenses - UMASS, Boston | 45,176.20 |
| 12. Meetings and Conferences | 15,536.76 |
| 13. Miscellaneous | <u>5,170.93</u> |

Total Expenditures

\$863,408.91

Balance

\$228,184.85

Undocumented Variances

1,232.75

BALANCE NOVEMBER 30, 1982

\$229,417.60

APPENDIX (cont.)

Board of Regents
Activity Summary - All- Purpose Trust

June 1, 1981 to November 30, 1982

- (a) Unrelated to Continuing Education Program.
- (b) Reimbursed by UMASS, Boston.
- (c) Related to Continuing Education Program.
- (d) Purpose of contract: Services for consolidating public colleges and universities in Boston.

